

SAC COUNTY SOLID WASTE AGENCY

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

JUNE 30, 2005 and 2004

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SAC COUNTY SOLID WASTE AGENCY
OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dean Stock	Chairperson	Sac County
Bill Gross	Member	City of Auburn
Dale Nellis	Member	City of Early
Jim Garrels	Member	City of Lake View
Ellis Byriel	Member	City of Lytton
Neil Wedeking	Member	City of Nemaha
R. G. (Butch) Hemphill	Member	City of Odebolt
Gary Hansen	Member	City of Sac City
Clarence Hansen	Member	City of Schaller
Francis Riedell	Member	City of Wall Lake
Laverne Arndt	Member	Coon Valley Township
Craig Pellersels	Member	Douglas Township
Eugene Weitzel	Member	Levey Township
George Neberhaus	Member	Eureka Township
Sharon Faber	Secretary	

John D. Morrow

Certified Public Accountant

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March 9, 2006

INDEPENDENT AUDITOR'S REPORT

To the Members of the Sac County
Solid Waste Agency:

I have audited the accompanying financial statements, as listed in the table of contents of this report, of Sac County Solid Waste Agency, Sac City, Iowa, as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of Sac County Solid Waste Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the aforementioned financial statements present fairly, in all material respects, the cash basis of the financial position of the Sac County Solid Waste Agency for the years ended June 30, 2005 and 2004, and the changes in cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also included a report dated March 9, 2006, on the Sac County Solid Waste Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This information has not been included in this report.

SAC COUNTY SOLID WASTE AGENCY
BALANCE SHEET
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>		<u>2004</u>	
	<u>Operating</u>	<u>Restricted: Closure & Post Closure</u>	<u>Operating</u>	<u>Restricted: Closure & Post Closure</u>
ASSETS:				
Current Assets:				
Cash & cash equivalents	\$ 32,980	\$ 71,520	\$ 52,473	\$ 46,422
Certificates of deposit	<u>600,096</u>	<u>61,457</u>	<u>580,346</u>	<u>60,152</u>
	633,076	132,977	632,819	106,574
Property and Equipment:				
SARC Building & equip.	384,218	0	384,218	0
Landfill equipment	<u>660,380</u>	<u>0</u>	<u>670,380</u>	<u>0</u>
	1,044,598	0	1,054,598	0
Accumulated depreciation	<u>342,050</u>	<u>0</u>	<u>306,008</u>	<u>0</u>
	702,548	0	748,590	0
TOTAL ASSETS	\$ <u>1,335,624</u>	\$ <u>132,977</u>	\$ <u>1,381,409</u>	\$ <u>106,574</u>
LIABILITIES:				
Current Liabilities:				
Bank account overdrawn	\$ 0	\$ 0	\$ 27,820	\$ 0
Payroll tax and				
IPERS payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	27,820	0
Contingent Liabilities				
NET ASSETS:				
Restricted for:				
Closure	0	61,457	0	60,152
Post Closure	0	71,520	0	46,422
Capital Project	0	0	0	0
Unrestricted	633,076	0	604,999	0
Temporarily Restricted	0	0	0	0
Permanently Restricted	0	0	0	0
Investment in property				
and equipment	<u>702,548</u>	<u>0</u>	<u>748,590</u>	<u>0</u>
	1,335,624	132,977	1,353,589	106,574
TOTAL LIABILITIES				
AND NET ASSETS	\$ <u>1,335,624</u>	\$ <u>132,977</u>	\$ <u>1,381,409</u>	\$ <u>106,574</u>

See accompanying Notes to Financial Statement.

SAC COUNTY SOLID WASTE AGENCY
OPERATING FUND
STATEMENTS OF OPERATING RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005		2004	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Operating Receipts:				
Assessments	\$ 138,348	\$ 138,348	\$ 138,348	\$ 138,348
Tipping fees & gate charges	<u>144,000</u>	<u>157,117</u>	<u>158,351</u>	<u>155,803</u>
		<u>295,465</u>		<u>294,151</u>
Operating Disbursements:				
Salaries	60,966	60,794	59,205	59,064
Payroll tax	4,626	4,651	4,206	4,512
Employee benefit-Health	25,300	23,773	25,300	22,605
Employee benefit-IPERS	3,477	3,496	3,660	3,391
Employee benefit-Workmens Comp	3,000	3,090	3,000	3,385
Equipment- repair, & maint.	5,000	4,765	5,000	2,419
Gravel & Rock	2,000	466	2,000	644
Meeting expenses & mileage	2,000	1,551	2,300	1,313
Insurance and bonds	7,500	5,791	7,500	5,138
Machine hire & contract services	10,100	4,916	14,500	11,720
Ia. dept. of natural resources	11,000	7,804	10,886	7,638
Fuel, oil, & gasoline	8,000	8,489	6,200	7,338
Electricity & propane	1,500	899	2,000	1,066
Engineering & consulting	31,500	35,796	20,000	19,104
Telephone	500	391	600	389
Pest control	540	540	540	495
Supplies	3,000	1,513	2,000	12,755
Printing and supplies	900	856	900	911
Recycling education	0	0	1,200	0
Audit and legal	3,000	2,316	1,500	2,581
Comprehensive plan	0	0	4,060	0
Dues and memberships	400	423	400	399
Monitoring wells & testing	2,000	2,614	3,000	4,328
Miscellaneous, permits, sales tax	800	726	2,000	1,692
Leachate processing	1,500	2,107	1,500	1,200
Leachate transporting	2,500	6,810	5,000	0
SARC Reimbursements:				
Recycling costs	90,000	69,637	80,000	89,779
Financing costs	<u>10,600</u>	<u>13,241</u>	<u>13,242</u>	<u>13,241</u>
		<u>267,455</u>		<u>277,107</u>
Operating receipts over disbursements		28,010		17,044
Non-operating Receipts (Disbursements):				
Interest Income	<u>18,000</u>	23,339	<u>18,000</u>	22,652
Capital Expenditures				
Landfill	25,000	(0)	25,000	(500)
SARC Equipment	<u>4,000</u>	(0)	<u>8,000</u>	(611)
Net Non-operating income		<u>23,339</u>		<u>21,541</u>
Change in cash basis net assets		51,349		38,585
Cash Basis Net Assets, Beginning of Year		604,999		590,056
Transfer to closure reserve account		(0)		(1,000)
Transfer to post closure reserve account		(23,273)		(22,642)
Cash Basis Net Assets, End of Year		\$ <u>633,075</u>		\$ <u>604,999</u>

See accompanying Notes to Financial Statement.

SAC COUNTY SOLID WASTE AGENCY
CLOSURE/POST CLOSURE RESERVE
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Receipts:		
Contributions from Sac County		
Solid Waste Agency	\$ 23,273	\$ 23,642
Interest on investments	<u>3,129</u>	<u>1,738</u>
	26,402	25,380
Disbursements:		
None	<u>0</u>	<u>0</u>
Receipts over (under) disbursements	26,402	25,380
Net Assets Beginning of Year	<u>106,574</u>	<u>81,194</u>
Net Assets End of Year	\$ <u><u>132,976</u></u>	\$ <u><u>106,574</u></u>

See accompanying notes to financial statements.

SAC COUNTY SOLID WASTE AGENCY
STATEMENTS OF CASH FLOW
YEARS ENDED JUNE 30, 2005 AND 2004

	2005 <u>Operating</u>	2004 <u>Operating</u>
Cash flows from operating activities:		
Cash received from assessments	\$ 138,348	\$ 138,348
Cash received from tipping fees	157,117	155,803
Interest received	23,339	22,652
Cash payments to employees for services	(95,803)	(92,957)
Cash payments for goods and services	(<u>171,652</u>)	(<u>184,150</u>)
Net cash provided by operating activities	51,349	39,696
Cash flows from investing activities:		
Redeem certificates of deposit	0	27,576
Purchase of certificates of deposit	(19,749)	(17,757)
Transfer to closure/post closure reserve	(23,273)	(23,642)
Purchase of equipment	(<u>0</u>)	(<u>1,111</u>)
Net cash used by investing activities	(<u>43,022</u>)	(<u>14,934</u>)
Net increase in cash and cash equivalents	8,327	24,762
Cash and cash equivalents - beginning of year	<u>24,653</u>	(<u>109</u>)
Cash and cash equivalents - end of year	\$ <u><u>32,980</u></u>	\$ <u><u>24,653</u></u>

See accompanying Notes to Financial Statement.

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2005 AND 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sac County Solid Waste Agency was created in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities for Sac County and the political subdivisions of Sac County.

The governing body of the Agency is composed of one representative from each of the nine members cities, one representative from Sac County supervisors and one township trustee from each of the four quarters. The member cities are: Auburn, Early, Lake View, Lytton, Nemaha, Odebolt, Sac City, Schaller, Wall Lake. The commissioners are appointed by the participating political subdivisions.

Reporting Entity

For financial reporting purposes, Sac County Solid Waste Agency has included all funds, organization, agencies, boards, commissioners and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Government Accounting Standard Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on the organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

The Construction Fund would be used to account for all resources used in the acquisition or expansion and construction of capital facilities.

The Closure & Post-Closure Reserve Fund is utilized to account for all monies held by the Agency to meet the closure and post closure care requirements for solid waste landfills by the Environmental Protection Agency. Funds set aside for payment of closure and post closure care are classified as restricted.

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT (continued)
JUNE 30, 2005 AND 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting:

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items including the estimated costs for closure and post closure care costs. Accordingly, the financial statements do not present financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

Budget

The Agency annually adopts a budget on the cash basis of accounting. The annual budget may be amended during the year by utilizing prescribed procedures. All unused appropriations of the annually adopted budget lapse at year end.

NOTE 2 CASH AND CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSITS

The Commission's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-ended management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3. The Agency's cash, cash equivalents and certificates of deposit balances composition consists of the following:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 25,199	\$ 8,481
Savings-general operating	25,109	34,137
Savings-DNR fees retained	0	10,295
Certificates of deposit	<u>600,096</u>	<u>580,346</u>
	650,404	633,259
Deposits in transit	0	0
Less outstanding warrants	(17,328)	(28,260)
Balance	\$ <u>633,076</u>	\$ <u>604,999</u>

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT (continued)
JUNE 30, 2005 AND 2004

NOTE 3 LANDFILL ASSESSMENT

Each Member of the Agency is assessed \$12.00 per capita for landfill fees to be paid quarterly. Each member's assessment is as follows:

	2000		2005		2004
	U.S. Census				
	<u>Population</u>		<u>Amount</u>		<u>Amount</u>
Sac County	3,802	\$	45,624	\$	45,624
Sac City	2,368		28,416		28,416
Odebolt	1,153		13,836		13,836
Lake View	1,278		15,336		15,336
Wall Lake	841		10,092		10,092
Schaller	779		9,348		9,348
Early	605		7,260		7,260
Lytton	305		3,660		3,660
Auburn	296		3,552		3,552
Nemaha	102		1,224		1,224
	<u>11,529</u>	\$	<u>138,348</u>	\$	<u>138,348</u>

NOTE 4 SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using those portions of solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee may be retained but must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or post closure cost plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. Seventy five cents of the retained fund shall be disbursed to a city, county, or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Agency's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities. The Agency retains an additional per ton fee to be used for waste reduction, recycling, or small business pollution prevention purposes.

	Comprehensive Planning <u>Account</u>	Waste Reduction & Recycling <u>Account</u>
<u>2004</u>		
Solid Waste Tonnage fee imposed	\$ 1,736	\$ 3,298
Expenditures in current fiscal year	(0)	(3,298)
<u>2005</u>		
Solid Waste Tonnage fee imposed	\$ 1,774	\$ 3,370
Expenditures in current fiscal year	(0)	(3,370)

At June 30, the Agency had no unspent tonnage fees.

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT (continued)
JUNE 30, 2005 AND 2004

NOTE 5 FINANCIAL ASSURANCE PLAN - CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these cost each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring and landfill during the post-closure period and, (4) the cost of any environmental cleanup required after closure. Estimated total cost would be based on the cost of purchase those services and equipment currently and would be required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for Sac County Solid Waste Agency have been estimated at \$55,314 for closure and \$677,100 for post closure, for a total of \$732,414. The estimated remaining life of the landfill is over 30 years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Agency has begun to accumulate resources to fund these costs and, at June 30, 2005, assets of \$132,977 are restricted fo these purposes, of which \$61,457 is for closure and \$71,520 is for post-closure care. They are reported as restricted assets and restricted net assets on the Balance Sheet.

	<u>Closure</u>	<u>Post-closure</u>
Total estimated costs for closure and post-closure care	\$ 55,314	\$ 677,100
Less: Balance of funds held in the local dedicated fund		
at June 30, 2005	(<u>61,457</u>)	(<u>71,520</u>)
	(6,143)	605,580
Divided by the number of years remaining	<u>/ 30</u>	<u>/ 30</u>
Required payment into dedicated fund	0	20,186
Balance of funds held in the local dedicated fund	<u>61,457</u>	<u>71,520</u>
Required balance of funds to be held in the dedicated fund	<u>55,314</u>	<u>91,706</u>
Amount Agency has restricted for closure and post-closure	\$ <u><u>61,457</u></u>	\$ <u><u>71,520</u></u>

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT (continued)
JUNE 30, 2005 AND 2004

NOTE 6 ORGANIZATION RISK MANAGEMENT

Sac County Solid Waste Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operation funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2005, and 2004 were \$5,714 and \$5,561, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT (continued)
JUNE 30, 2005 AND 2004

NOTE 6 ORGANIZATION RISK MANAGEMENT (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with the employee bond. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Agency's total contribution to IPERS for the years ended June 30, 2005 and 2004 were \$3,496 and \$3,391, respectively, equal to the required contributions for the year.

NOTE 8 WASTEWATER TREATMENT

A Wastewater Treatment Agreement was entered into with the City of Sac City to provide treatment of leachate by use of its wastewater treatment facilities beginning after July 1, 1996. The Sac County Solid Waste Agency shall pay for treatment by the Sac City wastewater facilities the sum of \$100.00 per month plus \$4.00 for the first one thousand (1,000) gallons, and \$1.80 per one thousand (1,000) gallons thereafter per month plus \$0.25/lb for CBOD5 in excess of 200 mg/l, \$0.11/lb for TSS in excess of 200 mg/l and \$1.93/lb for NH3 in excess of 25 mg/l.

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT (continued)
JUNE 30, 2005 AND 2004

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment are accounted for at original cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and lease improvements are amortized over forty years and equipment is depreciated over a fifteen to twenty year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any cash received recorded in current operations.

June 30, 2005					
Cost					
	Balance 7/01/2004	Additions	Disposals	Balance 6/30/2005	
SARC	\$ 384,218	\$ 0	\$ 0	\$ 384,218	
Landfill	<u>670,380</u>	<u>0</u>	<u>10,000</u>	<u>660,380</u>	
	<u>\$ 1,054,598</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 1,044,598</u>	
Accumulated Depreciation					
	Balance 7/01/2004	Current Year Provision	Disposals	Balance 6/30/2005	Investment Value
SARC	\$ 133,649	\$ 14,598	\$ 0	\$ 148,247	\$ 235,971
Landfill	<u>172,359</u>	<u>27,555</u>	<u>6,111</u>	<u>193,803</u>	<u>466,577</u>
	<u>\$ 306,008</u>	<u>\$ 42,153</u>	<u>\$ 6,111</u>	<u>\$ 342,050</u>	<u>\$ 702,548</u>
June 30, 2004					
Cost					
	Balance 7/01/2003	Additions	Disposals	Balance 6/30/2004	
SARC	\$ 383,718	\$ 500	\$ 0	\$ 384,218	
Landfill	<u>669,880</u>	<u>500</u>	<u>0</u>	<u>670,380</u>	
	<u>\$ 1,053,598</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 1,054,598</u>	
Accumulated Depreciation					
	Balance 7/01/2003	Current Year Provision	Disposals	Balance 6/30/2004	Investment Value
SARC	\$ 118,811	\$ 14,838	\$ 0	\$ 133,649	\$ 250,569
Landfill	<u>144,557</u>	<u>27,802</u>	<u>0</u>	<u>172,359</u>	<u>498,021</u>
	<u>\$ 263,368</u>	<u>\$ 42,640</u>	<u>\$ 0</u>	<u>\$ 306,008</u>	<u>\$ 748,590</u>

SAC COUNTY SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT (continued)
JUNE 30, 2005 AND 2004

Note 10 RELATED PARTY

A member of the Agency's board owns and operates a transportation company which transports leachate for Sac County Solid Waste Agency. For the fiscal year ending June 30, 2005 and 2004 the total transportation charges paid to this company totaled \$6,810 and \$0, respectively.

Note 11 COMPENSATE ABSENCES

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the commission until used or paid.

NOTE 12 RECYCLING AGREEMENT FOR SAC AREA RECYCLING CENTER

The Sac County Solid Waste Agency, on July 1, 2000, renewed the recycling agreement to purchase exclusive recycling services from the Howard Center, Inc., on a cost minus sales revenue basis. The Sac County Solid Waste Agency agreed to pay Howard Center, Inc.'s actual cost of recycling, minus the amount of funds received through the sales of recyclable materials. The recycling costs are recorded by the Agency on the cash basis. The above cost reported on the cash basis verses accrual basis for the prior 3 years is as follows:

	<u>Cash</u>	<u>Accrual</u>
Recycling Costs for the year ended June 30, 2005	\$ 69,637	\$ 78,230
Recycling Costs for the year ended June 30, 2004	89,779	82,337
Recycling Costs for the year ended June 30, 2003	86,670	77,733

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March 9, 2006

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Members of the Sac
County Solid Waste Agency
Sac City, Iowa 50583

I have audited the financial statements of Sac County Solid Waste Agency as of and for the year ended June 30, 2005 and 2004, and have issued my report thereon dated March 9, 2006. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Agency's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions relate to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Sac County Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Independent Auditor's
Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, I performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. Any instances of non-compliance are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2005 and 2004, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use by the members of Sac County Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

SAC COUNTY SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005 AND 2004

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

(A) Financial Assurance Funds

Comment - As disclosed in the Notes to Financial Statement Note 7, the Agency has established a Closure/Post Closure Reserve Fund.

Recommendation - The Agency should review the restrictive nature of these accounts as they relate to identifying the accounts and identifying transactions on these accounts.

Response - The recommendation will be considered.

Conclusion - The accounts will be reviewed.

(A) Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over collection, depositing, journalizing, posting, and reconciling.

Recommendation - With limited personnel, segregation of duties is not possible. Therefore, review by the governing body of the employee's operating procedures in recording financial transactions and preparing reconciliations is important. Such reviews by independent persons should be documented to the extent possible.

Response - The Agency will assess the necessity of changes where increased control can be facilitated.

Conclusion - Agency policy will be reviewed.

(B) Agency approval and payment of restricted fund expenditures

Comment - The Solid Waste tonnage fees retained are segregated and specifically identified.

Recommendation - Specific approval of the purpose of the expenditure of these funds should be recorded in the Agency's minutes.

Response - The board will approve quarterly reports and expenditures of retained fees.

Conclusion - Response accepted.

Other Findings Related to Statutory Requirements:

- (1) Official Depositories - A resolution naming official depositories has been approved by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Disbursements - No disbursements that may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Agency Minutes - Except as noted in the comments and recommendations, no transactions were found that I believe should have been approved in the Agency minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy.
- (6) Solid Waste Fees Retainage - During the year ended June 30, 2005, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (7) Financial Assurance - The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.